Deutsche Bank
Markets Research
Rating
Buy
North America
United States
Reuters
Health Care
Biotechnology
RTRX.OQ
Bloomberg
RTRX US
Exchange Ticker
NMS
RTRX
Company
Retrophin
Agrees to sell PRV for $245M, new TP of $52

Retrophin agrees to sell its PRV to SNY for $245M, new TP of $52

This morning RTRX announced that it plans to sell the rare pediatric priority review voucher acquired with the approval of Cholbam to Sanofi for $245M. The company will receive $150M when the deal closes (no timing was provided by the company; we assume at some point during 3Q15), and two additional payments of $47.5M in 2016 and 2017. The company has previously disclosed that it plans to use the proceeds for its late-stage pipeline and/-or for business development. We are raising our TP to $52 to account for the transaction. Reiterate BUY.

Prior vouchers sold for $67.5M and $125M.

This is the highest price paid for a voucher to our knowledge and demonstrates their scarcity. We note that UTHR is the only other company to have one of these vouchers in its possession.

The company sold the voucher for $145M over our projected sale price of $100M. A sale of $100M was worth approx $1.4/sh to our DCF. The additional $145M is approx $2/sh to our DCF.

Reiterate BUY, new TP of $52. Valuation and risks:

We value RTRX using a probability-adjusted DCF analysis with a 10% discount rate. We extend our estimates to 2029 and use a 2% terminal growth rate. Risks: 1) Base business sales risk, 2) Sparsentan / other pipeline products fail, 3) Regulatory risk, and 4) Reimbursement risk.

Evan Seigerman
Research Associate
[redacted]
Mohit Bansal
Research Associate
[redacted]

Key changes

Price target
EPS (USD)
Date
27 May 2015
Breaking News
Price at 26 May 2015 (USD)
Price target
52-week range
Robyn Karnauskas
Research Analyst
(+1) 212 250-7591
[redacted]
26.87
52.00
26.98 - 8.09
50.00 to 52.00 ↑
Source: Deutsche Bank
Price/price relative
12
16
20
24
28
0
4
8
12/12
6/13
12/13
6/14
Retrophin
S&P 500 INDEX (Rebased)
Performance (%)
Absolute
S&P 500 INDEX
Source: Deutsche Bank
1m 3m 12m
8.6
-0.6
80.3
-0.3
95.7
10.7
12/14
4.0%
0.96 to 1.65 ↑ 71.5%

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Deutsche Bank Securities Inc.

be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should
consider this report as only a single factor in making their investment decision. DISCLOSURES AND ANALYST
CERTIFICATIONS ARE LOCATED IN APPENDIX 1. MCI (P) 124/04/2015.

27 May 2015
Biotechnology
Retrophin
Model updated:27 May 2015
Running the numbers
North America
United States
Biotechnology
Retrophin
Reuters: RTRX.OQ
Buy
Price (26 May 15)
Target Price
52 Week range
Market Cap (m)
Company Profile
Retrophin is a biopharmaceutical company focused on discovering, developing and marketing innovative therapies for debilitating and often life-threatening diseases.
Fiscal year end 31-Dec
Financial Summary
DB EPS (USD)
Reported EPS (USD)
DPS (USD)
BVPS (USD)
Valuation Metrics
Price/Sales (x)
Bloomberg: RTRX US
USD 26.87
USD 52.00
USD 8.09 - 26.98
USDm 949
EURm 871
P/E (DB) (x)
P/E (Reported) (x)
P/BV (x)
FCF yield (%)
Dividend yield (%)
EV/Sales
EV/EBITDA
EV/EBIT
Income Statement (USDm)
Sales
EBITDA
EBIT
Pre-tax profit
Net income
Cash Flow (USDm)
Cash flow from operations
Net Capex

Free cash flow
Equity raised/(bought back)
Dividends paid
Price Performance
12
16
20
24
28
0
4
8
Dec 12
Jun 13
Retrophin
Margin Trends
84
86
87
89
90
92
93
14
15E
EBITDA Margin
Growth & Profitability
100
150
200
50
0
14
Solvency
-140
-120
-100
-80
-60
-40
-20
0
14
15E
Net debt/equity (LHS)
Robyn Karnauskas
[redacted]
Page 2
16E
17E
Net interest cover (RHS)

[redacted]
Deutsche Bank Securities Inc.
15E
16E
Sales growth (LHS)
17E
ROE (RHS)
10
20
30
40
50
0
16E
EBIT Margin
17E
Dec 13
Jun 14 Dec 14
S&P 500 INDEX (Rebased)
Net inc/(dec) in borrowings
Other investing/financing cash flows
Net cash flow
Change in working capital
Balance Sheet (USDm)
Cash and cash equivalents
Property, plant & equipment
Goodwill
Other assets
Total assets
Debt
Other liabilities
Total liabilities
Total shareholders' equity
Net debt
Key Company Metrics
Sales growth (%)
DB EPS growth (%)
Payout ratio (%)
EBITDA Margin (%)
EBIT Margin (%)
ROE (%)
Net debt/equity (%)
Net interest cover (x)
DuPont Analysis
EBIT margin (%)
x Asset turnover (x)
x Financial cost ratio (x)
x Tax and other effects (x)
= ROA (post tax) (%)
x Financial leverage (x)
= ROE (%)

annual growth (%)
x NTA/share (avg) (x)
= Reported EPS
annual growth (%)
Source: Company data, Deutsche Bank estimates
2014
-2.51
0.84
0.00
-1.49
11.2
nm
15.0
nm
29.3
0.0
10.2
11.0
11.0
28
26
26
29
31
96
-4
92
38
0
38
-33
135
60
18
1
0
117
135
0
173
173
-37
-18
nm
na
0.0
92.8
92.8
nm
nm
nm

92.8
0.2
1.0
1.2
22.9
-3.6
-83.2
na
-1.0
0.84
na
2015E
1.65
0.63
0.00
6.07
11.6
16.3
42.6
4.4
4.9
0.0
8.3
9.4
9.4
81
72
72
72
30
50
-4
46
150
0
0
0
196
-4
262
5
0
109
375
0
161
161
214
-262
189.0
na

0.0
88.0
88.0
33.8
-122.2
nm
88.0
0.3
1.0
0.4
11.7
2.9
33.8
na
1.9
0.63
-24.6
2016E
1.00
2.13
0.00
7.88
8.0
26.9
12.6
3.4
13.7
0.0
5.0
5.8
5.8
119
103
103
103
103
139
-4
135
0
0
0
0
135
10
342
8
0
109
459
0

171
171
288
-342
46.3
-39.4
0.0
86.7
86.7
41.2
-118.8
nm
86.7
0.3
1.0
1.0
24.8
1.7
41.2
21.9
5.2
2.13
237.1
2017E
1.08
2.19
0.00
9.86
5.9
24.8
12.3
2.7
13.2
0.0
3.3
3.8
3.8
160
136
136
136
108
137
-4
133
0
0
0
0
133
2

420
11
0
109
541
0
173
173
368
-420
33.8
8.2
0.0
85.5
85.5
32.9
-114.3
nm
85.5
0.3
1.0
0.8
21.6
1.5
32.9
-20.1
6.7
2.19
2.7

27 May 2015
Biotechnology
Retrophin
RTRX DCF
Figure 1: RTRX DCF
DB BIOTECH: RETROPHIN DCF
Robyn Karnauskas, PhD
212-250-7591, [redacted]
DB BIOTECH: RTRX - DISCOUNTED CASH FLOW
2015E
EBT
less : Taxes
tax rate
add: D&A
less : Net working capital
less : Capital Expeditures
Operating Free Cash Flow
Growth
Discount Period
Discount Factor
Present value of Cash Flows
Terminal growth rate =
Discount Rate
NPV Cash Flows ($M)
NPV TV ($M)
NPV Total ($M)
Net Cash/(Debt)
Net cash/share
$/ Share of terminal value
TV as % of total value
NPV Cash Flows + TV
Shares outstanding
2.0%
10.0%
$1,612
$751
$2,364
$85
$2
$16
31%
$52
47
$127
($44)
35.0%
$0
($3)
($3)
$76
0

1.00
$76
DCF = $52
2016E
$49
$0
2017E
$82
($29)
2018E
$43
($15)
2019E
$174
($61)
$0
$10
($4)
$55
-28%
0.75
0.93
$51
$1
$2
($4)
$52
-6%
1.75
0.85
$44
$1
$11
($4)
$36
-30%
2.75
0.77
$28
$1
$8
($4)
$119
228%
3.75
0.70
$83
2020E
$219
($77)
$2

$1
($4)
$141
18%
4.75
0.64
$90
2021E
$305
($107)
2022E
$413
($144)
2023E
$529
($185)
2024E
$660
($231)
2025E
$865
($303)
2026E
$546
($191)
2027E
$564
($197)
2028E
$582
($204)
2029E
$358
($125)
0.0% 35.0% 35.0% 35.0% 35.0% 35.0% 35.0% 35.0% 35.0% 35.0% 35.0% 35.0% 35.0%
35.0%
$2
$17
($4)
$214
52%
5.75
0.58
$123
$2
$13
($4)
$279
31%
6.75
0.53

$147
$2
$12
($4)
$354
27%
7.75
0.48
$169
$2
$11
($4)
$439
24%
8.75
0.43
$190
$3
($10)
($4)
$550
26%
9.75
0.39
$217
$3
($67)
($4)
$287
-48%
10.75
0.36
$103
$3
$0
($4)
$366
28%
11.75
0.33
$119
$3
$0
($4)
$378
3%
12.75
0.30
$112
$3
($13)

($4)
$218
-42%
13.75
0.27
$59
$2,785
13.75
0.27
$751
TV
Source: Deutsche Bank

27 May 2015
Biotechnology
Retrophin
RTRX P&L
Figure 2: P&L
2014A
Base Business Revenues
Thiola- WW Sales (Unadjusted)
Growth
Probability of LT sales
Thiola- WW Sales (adjusted)
Patients on Drug (end of period)
Growth
Chenodal
Growth
Cholbam
Growth
Total Base Business Revenues
Growth
Pipeline
Sparsentan for FSGS- Unadjusted
Probability of Success
Sparsentan Adjusted Sales
Growth
RE-024 for PKAN- Unadjusted
Probability of Success
RE-024 for PKAN- Adjusted Sales
Growth
Total Pipeline Adjusted Revenues
Total Product Revenues to Retrophin (pipeline adjusted)
Operating Expenses- Base Business
Cost of Goods
Base COGS
% of Sales
Thiola Royalities
% of Sales
Chenodal Royalities
Royalty Rate
Cholbam Royalities
Royalty Rate
Total COGS- Base Business
SG&A- Base Business
Growth
SGA- Adjusted for Thiola LT Probability
R&D-Base Business
Growth
R&D- Adjusted to Thiola LT Probability
Milestone Payments to Asklepsion (Cholbam)
Cumulative Milestone
Total Base Business Operating Expenses
Operating Expenses- Pipeline

EFTA01473371

Cost of Goods
Base COGS
% of Sales
Sparsentan Royalities to Ligand
Royalty Rate
Sparsentan Related Milestone Payments
Cumulative Milestone
Total COGS- Pipeline
Sparsentan R&D- Adjusted
Growth
RE-024 R&D- Adjusted
Growth
Sparsentan SG&A- Adjusted
Growth
RE-024 SG&A- Adjusted
Growth
Total Pipeline Operating Expenses
Total operating expenses
% Operating margins
Interest income/ (expsense), net
Realized gain on sale of mkt securities
FX gain/ loss
Other income (expenses), net
Earnings before Taxes
Tax (tax credit/ benefit)
Tax rate
Non-GAAP Net Income
FD EPS- Non-GAAP
Basic sharecount
FD sharecount
Source: Deutsche Bank
$18
$75
-33%
-$7
$2
$0
-$14
-$65
-$2
0%
-$63
-$2.51
25
37
$6
$18
-9%
-$4
$0.11
$0

-$1.4
-$6.60
$0
0%
-$7
-$0.19
35
47
$6
$21
-7%
-$1
$0
$0
-$27
-$30
$0
0%
-$30
-$0.84
35
47
$6
$22
-1%
-$1
$0
$0
$150
$149
$52
35%
$97
$2.03
35
47
$6
$23
3%
-$1
$0
$0
$0
$0
$0
35%
$0
-$0.01
36
48
$25

$78
4%
-$5
$0
$0
$122
$120
$42
35%
$78
$1.65
35
47
$43
$113
5%
-$5
$0
$0
$48
$49
$0
0%
$49
$1.00
37
49
$37
$120
25%
-$5
$0
$0
$48
$82
$29
35%
$53
$1.08
37
49
$7
$11
$4
114%
$2
-27%
$4
3%
$2
1%

$4
3%
$2
1%
$4
3%
$2
1%
$8
$17
$0
$33
100%
$10
-26% 20%
$0
$0
$57
$23
$1
2%
$2
48%
$4
15%
$0
0%
$1
$33
$0.3
2%
$2
21%
$1
10%
$0
7%
$3
$7
$7
$2
-74%
$2
$0
$12
$0.4
2%
$4
35%
$1
10%

$0
7%
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1%
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$16
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2%
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7%
$6
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5%
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$17
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$9
3%
$9
$6
$11
$83
$4
2%
$28

$30
20%
$3
10%
$2
8%
$39
$43
10%
$43
$9
3%
$9
$7
$18
$98
$5
2%
$40
$39
20%
$4
10%
$2
8%
$51
$48
10%
$48
$9
3%
$9
$8
$26
$116
$4
2%
$53
$25
10%
$4
10%
$3
8%
$35
$52
10%
$26
$9
3%
$5

$11
$37
$77
$4
2%
$68
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$82
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$3
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$37
$86
$6
2%
$0
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$6
10%
$4
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$15
$67
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$0
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$54
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EFTA01473380

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$59
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0%
$8
10%
$4
8%
$19
$73
2%
$36
$12
3%
$6
$0
$37
$62
$28
$17
$19
$22
$24
$0
$81
$0
$119
$0
$160
$0
$207
$24
$0
100%
$10
680
$7
$4
1Q15E
$10
2Q15E
$11
16%
100%
$11
773
14%
$7

1%
$1
3Q15E
$12
10%
100%
$12
846
10%
$7
1%
$2
4Q15E 2015E 2016E 2017E 2018E 2019E 2020E 2021E 2022E 2023E 2024E 2025E
2026E 2027E 2028E 2029E
$13
100%
$13
919
9%
$7
1%
$3
$29
21%
$6
$46
8% 1007%
100%
$46
919
$72
54%
100%
$72
900
$28
-3%
$19
224%
$48
$28
$17
$19
$22
$24
$81
189%
$119
46%
$106
48%

100%
$106
1350
-2% 110%
$31
8%
$23
18%
$54
$160
34%
$0
75%
$0
$148
39%
100%
$148
1887
0%
$33
8%
$26
14%
$59
$207
30%
$0
75%
$0
$197
33%
100%
$197
2497
32%
$36
8%
$30
14%
$66
$263
27%
$133
75%
$100
$35
25%
$9
$246
24%

50%
$123
3184
28%
$39
8%
$34
15%
$73
$196
$282
15%
50%
$141
3680
16%
$42
8%
$37
7%
$78
$219
-26% 12%
$277
75%
$208
108%
$72
25%
$18
105%
$109
$372
$226
$421
$431
75%
$324
56%
$113
25%
$28
56%
$352
$571
$309
10%
50%
$155
3975
8%

$45
8%
$39
7%
$84
$239
9%
$598
75%
$448
39%
$157
25%
$39
39%
$488
$726
$331
7%
50%
$166
4167
5%
$49
8%
$41
4%
$89
$255
7%
$778
75%
$583
30%
$204
25%
$51
30%
$634
$352
6%
50%
$176
4308
3%
$53
8%
$42
4%
$95
$271

6%
$371
5%
50%
$185
4423
3%
$57
8%
$44
4%
$101
$286
6%
$972 $1,181
75%
$729
25%
$255
25%
$64
25%
$792
$389
5%
50%
$195
4511
2%
$62
8%
$46
4%
$108
$302
6%
75%
$886
22%
$265
25%
$66
4%
$952
$889 $1,063 $1,239
$402
75%
$301
-66%
$276
25%

$69
4%
$370
$672
$409
5%
50%
$205
4602
2%
$67
8%
$48
4%
$319
6%
$402
75%
$301
0%
$287
25%
$72
4%
$373
$692
$430
5%
50%
$215
4694
2%
$72
8%
$50
4%
$337
6%
$402
75%
$301
$298
25%
$75
4%
$376
$713
$451
5%
50%
$226

4788
2%
$78
8%
$52
5%
$356
6%
$0
75%
$0
0% -100%
$310
25%
$78
4%
$78
$434
$0
2%
$0
2%
$0
2%
$0
17%
$0
$0
$0
$34
3%
$3
3%
$0
$0
2%
$0
17%
$0
$0
$0
$35
3%
$3
3%
$19
$2
2%
$17
17%
$5

$5
$24
$13
$3
3%
$33
75%
$4
$5
20%
$60
$159
23%
-$5
$0
$0
$0
$43
$15
35%
$28
$0.57
37
49
$77
$193
48%
-$5
$0
$0
$0
$174
$61
35%
$113
$2.29
37
49
$5
2%
$35
17%
$10
$15
$50
$7
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$57
75%
$5
20%

$121
$198
53%
-$5
$0
$0
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$219
$77
35%
$142
$2.89
37
49
$7
2%
$55
17%
$15
$30
$77
$5
$1
$100
75%
$6
3%
$189
$261
54%
-$5
$0
$0
$0
$305
$107
35%
$198
$4.02
37
49
$10
2%
$76
17%
$20
$50
$106
$4
$1
$116

15%
$6
3%
$232
$309
57%
-$5
$0
$0
$0
$413
$144
35%
$268
$5.44
37
49
$13
2%
$99
17%
$25
$75
$137
$3
$1
-50% -25% -25% -25%
$127
10%
$6
3%
$273
$355
60%
-$5
$0
$0
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$529
$185
35%
$344
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49
$16
2%
$124
17%
$31
$106

$170
$1
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3%
$133
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3%
$312
$398
63%
-$5
$0
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$231
35%
$429
$19
2%
$151
17%
$0
$106
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3%
$137
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17%
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$1
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70%
-$5
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$0
$865
$303
35%
$562
$8.71 $11.41
37
49
37
49
$6
3%
$66
$121
82%
-$5
$0
$0
$0
$546
$191
35%
$355
$7.20
37
49
$7
3%
$66
$123
82%
-$5
$0
$0
$0
$564
$197
35%
$366
$7.43
37
49
$7
3%
$66
$126
82%
-$5
$0
$0
$0

$582
$204
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$379
$7.68
37
49
$7
3%
$9
$71
84%
-$5
$0
$0
$0
$358
$125
35%
$233
$4.72
37
49
$1
3%
$0
$1
3%
$0
$1
3%
$0
$7
2%
$51
17%
$0
$106
$59
$0
$8
2%
$51
17%
$0
$106
$59
$0
$2
2%
$0

17%
$0
$106
$2
$0

27 May 2015
Biotechnology
Retrophin
Appendix 1
Important Disclosures
Additional information available upon request
Disclosure checklist
Company
Retrophin
Ticker
RTRX.OQ
Recent price*
26.87 (USD) 26 May 15
Disclosure
1,6,7,8,9
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27 May 2015
Biotechnology
Retrophin
Historical recommendations and target price: Retrophin (RTRX.OQ)
(as of 5/26/2015)
30.00
25.00
20.00
15.00
10.00
5.00
0.00
Dec 12 Mar 13
1.
04/28/2015:
Equity rating key
Buy: Based on a current 12- month view of total
share-holder return (TSR = percentage change in
share price from current price to projected target price
plus pro-jected dividend yield ) , we recommend that
investors buy the stock.
Sell: Based on a current 12-month view of total shareholder
return, we recommend that investors sell the
stock
Hold: We take a neutral view on the stock 12-months
out and, based on this time horizon, do not
recommend either a Buy or Sell.
Notes:
1. Newly issued research recommendations and
target prices always supersede previously published
research.
2. Ratings definitions prior to 27 January, 2007 were:
Buy: Expected total return (including dividends)
of 10% or more over a 12-month period
Hold: Expected total return (including
dividends) between -10% and 10% over a 12month
period
Sell: Expected total return (including dividends)
of -10% or worse over a 12-month period
Jun 13
Sep 13
Dec 13 Mar 14
Date
Upgrade to Buy, Target Price Change USD50.00
Equity rating dispersion and banking relationships
100
200
300
400
500
600

0
Buy
Hold
Sell
Companies Covered Cos. w/ Banking Relationship
North American Universe
50 %
58 %
44 %
2 %37 %
48 %
Jun 14
Sep 14
Dec 14 Mar 15
Buy
Hold
Sell
Not Rated
Suspended Rating
*New Recommendation Structure
as of September 9,2002
Previous Recommendations
1
Strong Buy
Buy
Market Perform
Underperform
Not Rated
Suspended Rating
Current Recommendations

Security Price

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27 May 2015
Biotechnology
Retrophin
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the
risks
related
to
rates
movements.
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David Folkerts-Landau
Group Chief Economist
Member of the Group Executive Committee
Raj Hindocha
Global Chief Operating Officer
Research
Michael Spencer
Regional Head
Asia Pacific Research
International locations
Deutsche Bank AG
Deutsche Bank Place
Level 16
Corner of Hunter & Phillip Streets
Sydney, NSW 2000
Australia
Tel: [redacted]
Deutsche Bank AG London
1 Great Winchester Street
London EC2N 2EQ
United Kingdom
Tel: [redacted]
Deutsche Bank AG
Große Gallusstraße 10-14
60272 Frankfurt am Main
Germany
Tel: [redacted]
Deutsche Bank Securities Inc.
60 Wall Street
New York, NY 10005
United States of America
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Deutsche Bank AG
Filiale Hongkong
International Commerce Centre,
1 Austin Road West,Kowloon,
Hong Kong
Tel: [redacted]
Deutsche Securities Inc.
2-11-1 Nagatacho
Sanno Park Tower
Chiyoda-ku, Tokyo [redacted]
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Tel: [redacted]
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